

## **THE HONG KONG HOUSING AUTHORITY**

### **Memorandum for the Home Ownership Committee**

### **Performance Review for Home Ownership Business as at 30 September 1999**

#### **PURPOSE**

This paper presents the mid-year review of the Home Ownership Business Plan for 1999/2000 covering Home Ownership Scheme (HOS), Private Sector Participation Scheme (PSPS), Mortgage Subsidy Scheme (MSS), Home Purchase Loan Scheme (HPLS), Secondary Market Scheme (SMS), Tenants Purchase Scheme (TPS) and Buy or Rent Option (BRO).

#### **BACKGROUND**

2. As part of the corporate planning process, Business Directors will draw up business plans in respect of their core business for endorsement by the relevant business committees. This is to ensure that a coherent and effective set of policies and programmes can be put in place to achieve the Housing Authority's strategic objectives. The 1999/2000 business plan on the Home Ownership Business was approved by Members in November 1998 vide Paper No. HOC 69/98. This mid-year review aims to brief members on the progress in implementing the key initiatives outlined in the 1999/2000 Business Plan.

3. Home Ownership Business is still operating in a volatile environment as the overall economy has not yet recovered from the financial turmoil. We do not expect the economy will change significantly in the near future and will therefore face similar business environment as in the past year. Our sales records in the recent sales exercises indicate a moderate demand of HOS/PSPS flats and that the aspiration of home-ownership remains healthy. During the first six months in 1999/2000, 7,676 new flats were put up for sale under HOS Phase 21A. A total of 31,061 applications (12,258 Green Form

(GF) and 18,803 White Form (WF) were received, representing an overall subscription rate of 4 (2 for GF and 7 for WF).

## PERFORMANCE REVIEW

4. So far, we have made good progress in implementing the new initiatives for the home ownership business. A summary of the overall performance of the Business initiatives is tabled below -

	Total no. of initiatives committed	Status of Committed Initiatives			
		Action Completed	On Schedule	On-going	Behind Schedule
Business / Service Plan	22	10	6	6	-

5. A brief review of the business performance for the past six months is as follows -

### Hong Kong Housing Authority Customer Service Centre

6. The new Customer Service Centre at Wang Tau Hom has been opened since August 1999. It comprises 4 storeys at podium level and a 2-level carpark at basement with a total area of 17,000m<sup>2</sup> accommodating various units of the Applications Section, Applications and Home Ownership Division and offices of Commercial Properties Division (CPD). Specific features and offices of each level are -

Level 1 - main Customer Service Counter with uniformed receptionists to guide customers to the right place in the first instance, Elderly Counter to receive elderly visitors, Children's Corner, Multi-media Information Corner, Showflat Pavilion comprising 9 showflats with 7 furnished, Commercial Properties Exhibition Hall and Tender & Marketing Unit;

Level 2 - Public Rental Housing Applications Section with provision of a large and comfortable waiting hall, an open enquiry counter, Elderly Priority Service Room, Flat Selection Room, 70 interview rooms and wall-mounted murals showing the current application numbers under investigation and allocation;

Level 3 - Home Ownership Centre with provision of Flat Selection Room, Agreement Signing Room, Sales Office, Home Ownership Exhibition Hall with models of HOS design on display, Theatre, and On-line Sales Position TVs, apart from waiting hall and counter;

Level 4 - Home Purchase Loan Unit and HOS Secondary Market Unit with waiting hall, and various units of CPD.

7. Video walls continuously showing the latest housing policies and promoting various application schemes are installed at prominent places. Computer Queuing System is provided in all waiting halls to handle enquiries and appointments for efficient monitoring of performance pledges. The Centre is managed by a private management agent placing high emphasis on customer-focused services and all-round quality management.

## **HOS/PSPS**

8. 5,600 HOS flats in five projects (together with 2,076 MSS flats in two projects) are offered for sale under the HOS Phase 21A sales exercise. The sales programmes for 18,732 HOS flats in 9 projects (together with 2,352 MSS flats in 3 projects) are scheduled under HOS Phases 21B & C.

9. After having completed the review of the 10-year resale restrictions for HOS/PSPS flats, we have implemented the new 5-year resale restrictions with effect from 1 June 1999. Relaxation of the resale restrictions is generally well received by the owners and the market. Since the implementation, an average of 430 cases per month or a 72% increase in premium applications has been recorded.

10. Based on the experience gained in the pilot Phase 1 of the premium assessment work for HOS/PSPS flats by private surveyor firms (appointed on 15 March 1999), we have successfully rolled out Phase 2 of the premium assessment work for HOS/PSPS flats by private surveyor firms effective from September 1999.

11. Commencing from HOS Phase 21A, the preparation of Deed of Mutual Covenant (DMC) for five HOS courts, namely Tin Fu Court, Ning Fung Court, Tung Yuk Court, Hang Chun Court and Tak Keung Court, has been taken up by solicitors firms in the private sector.

12. The Government resumed land sales including the PSPS sites from April this year. According to the announced Land Sale Programme for the year 1999/2000, there are six PSPS tenders providing a total of about 15,000 PSPS flats.

13. Following the completion of a review of the Weighted Scoring System by the PSPS Tender Board in March 1999, enhancements have been adopted for tender selection starting from the site at Hung Hom Bay Reclamation Area for tender in April 1999.

14. To encourage the younger families to live with and take care of their elderly members, we have implemented the Priority Scheme for Families with Elderly Members in purchase of HOS flats since HOS Phase 20A. The response had been quite encouraging as more than 3,400 families were given priority to purchase flats in the sales exercises of Phases 20A & B. On the HPLS, priority accorded to eligible GF applicants living with elderly members over other applicants of the same batch has started since 1 June 1999. 260 GF applications have opted to join the priority scheme under HPLS. For the WF applications, this priority scheme will be implemented in the new phase in October 1999.

## **MSS**

15. While 629 MSS flats in one project was offered for sale in July 1999, another 2,076 MSS flats in two projects are offered for sale under HOS Phase 21A. Three more projects with 2,352 MSS flats are programmed for sale under HOS Phases 21B & C sales exercises in the remainder of the year.

## **HPLS**

16. The HPLS has become more popular upon enhancement in July 1998 introducing new flexible interest-free loan options of \$800,000 repayable over 13 years and \$500,000 repayable over 14 years for GF and WF applicants respectively in addition to the existing loan level of \$600,000/\$400,000 repayable over 20 years. Under the increased quota of 10,000, a total of 26,948 applications were received from 1 April 1998 to 31 July 1999. Of these, 18,745 approval-in-principle letters (AIPs) were issued and 9,837 loans/subsidies were granted. There are still 3,413 applicants holding valid AIPs. About 85% of the loan recipients under the enhanced scheme opted for the higher loan amounts of \$800,000 or \$500,000. The new policy initiative of allowing GF applicants to make use of the HPLS to purchase HOS/PSPS flats in the secondary market has also made the Scheme more attractive. More than 3,000 or 43% of the total successful GF applicants purchased HOS/PSPS flats in the secondary market.

## **SMS**

17. At the HOC meeting on 23 July 1998, the enhancement of HPLS was endorsed to allow GF applicants to make use of the loan/subsidies to purchase flats in the HOS/PSPS secondary market. Since the interface of the HPLS and SMS, there has been a sharp increase in the number of transactions in the SMS. As at 29 September 1999, 8,111 Certificates of Eligibility to Purchase have been issued to eligible purchasers and 9,269 Certificates of Availability of Sale issued to eligible owners who can put up their properties under the SMS for sale. A total of 5,433 Letters of Nomination have been issued with 5,391 transactions recorded. Through the operation of the scheme, we have recovered 4,200 Public Rental Housing (PRH) flats for allocation to needy families. As indicated by the rising trend in SMS transactions, the scheme has proved to be gaining popularity and provided a good channel for owners to improve their mobility in the property market.

## **TPS**

18. Phase 1 of the TPS proved to be very popular with 19,984 flats assigned in 1998/99. Phase 2 (27,161 flats) was rolled out in March 1999. As at September 1999, some 8,500 offers were already received from the sitting tenants for purchase of their own flats. Over 28,000 flats will be offered for sale under Phase 3 to be commenced around February 2000.

## BRO

19. This scheme offers an opportunity for prospective PRH tenants to move into the home ownership sector without passing through the public rental housing route. The BRO Phase 1 was launched in June 1999. Out of 2,706 flats put up for sale, 1,557 flats were sold. The remaining flats were put up for resale in HOS Phase 21A. Among the successful purchasers, 1,485 applied for the mortgage subsidy. Another 3,000 flats will be offered for sale under BRO Phase 2 to be commenced around March 2000.

20. Brief report on the performance of individual Business initiatives is shown at **Annex**.

21. Outcome of key performance indicators (KPIs) for the business is indicated below -

	<b>KPIs</b>	<b>Targets</b>	<b>Present Position</b>
<b>(1)</b>	<b>HOS</b>		
(a)	Number of flats offered for sale under the HOS	20,000	5,600
(b)	Number of HOS land grants processed	10	5
(c)	Number of premium assessment cases processed	4,500	1,793
<b>(2)</b>	<b>PSPS</b>		
(a)	Number of PSPS flats offered for sale	4,500	0 (Note 1)
(b)	Number of PSPS tenders processed	10	6
<b>(3)</b>	<b>MSS</b>		
(a)	Number of flats offered for sale with MSS payment	3,000	2,705
<b>(4)</b>	<b>TPS</b>		
(a)	Number of PRH flats offered for sale under the TPS	No less than 25,000	0 (Note 2)
<b>(5)</b>	<b>Agency Management</b>		
(a)	Number of OCs formed in new HOS estates	7	2
(b)	Number of pre-18A HOS estates handed over for self-management	21	0 (Note 3)
<b>(6)</b>	<b>Financial</b>		
(a)	Total operating surplus for 1999/2000	\$9,700 million	\$3,525 million
(b)	Total HPLS loan payments in 1999/2000	\$5,244 million	\$3,261 million
(c)	Total HPLS loan repayment in 1999/2000	\$700 million	\$431 million

Note 1 : According to the current sales programme, a total of 9,172 flats are scheduled for sale under HOS Phases 21B & C.

Note 2 : Over 28,000 PRH flats will be offered for sale under TPS Phase 3 to be announced around February 2000.

Note 3 : We can only commence work after the endorsement of HOC Paper No. 64/99 on 29 July 1999. Our target is to form 21 OCs by end of August 2000.

## FINANCIAL PERFORMANCE

### Comparison with Approved Budget

22. The year-to-date 30 September 1999 actual operating surplus for the Home Ownership business was \$3,525.1 million, achieving 35% of the yearly Approved Budget of \$10,160.8 million. The year-to-date income was \$7,195.6 million, representing 26% of the full year's Approved Budget of \$27,781.0 million. The below budget performance in income was mainly due to the delay in completion of HOS courts (Yi Fung Court and Tin Shing Court), inclusion of some PSPS flats in the Approved Budget which had already been sold in 1998/99 and lower progress ( achievement of 27% ) in the sale of TPS flats in Phase 2. On the total expenditure of \$3,670.5 million, it was only 21% of the full year's budget of \$17,620.2 million. The lower expenditure was mainly due to the delay in completion of HOS Courts. However, the expenditure referred to related to completed projects. The expenditure would be in line the budget as long as the projects could be completed within the year.

### Comparison with Revised Budget

23. The year-to-date 30 September 1999 actual operating surplus for the total Home Ownership business was 36% of the full year Revised Budget of \$9,700.0 million. The total income was 27% of the full year Revised Budget of \$26,776.1 million, whilst total expenditure was only 21% of the full year Revised Budget of \$17,076.1 million. The low achievement was mainly due to the delay in completion of some HOS projects and the scheduling of completion dates of some projects towards the later part of the year. A comparison of the year-to-date actual to 30 September 1999 with last year's performance, the 1999/2000 Revised and Approved Budget is summarised as follows -

#### Home Ownership Operating Account Budgets (\$ million)

	1998/99	1999/00	1999/00	1999/00
	Yearly	6 months	Revised	Approved
	Actual	Actual	Budget	Budget
Income	22,513.0	7,195.6	26,776.1	27,781.0
Expenditure	6,640.0	3,670.5	17,076.1	17,620.2
Operating Surplus	15,873.0	3,525.1	9,700.0	10,160.8

#### Home Purchase Loan Scheme (HPLS)

24. The approval of the HPLS quota of 4,500 vide Paper No. HOC 62/99 in July 1999 was in line with the Approved Budget 1999/2000. A summary of the HPLS loan payments and repayments comparing the year-to-date actual to 30 September 1999 with last year and the 1999/2000 Revised Budget is given below :

	1998/99 Yearly <u>Actual</u> \$M	1999/00 6 months <u>Actual</u> \$M	1999/00 Revised <u>Budget</u> \$M
<u>HPLS</u>			
Opening Balance	2,537.7	6,134.0	6,134.0
Loans granted	<u>3,847.1</u>	<u>3,261.4</u>	<u>5,244.1</u>
	6,384.8	9,395.4	11,378.1
Loan repayments	<u>250.8</u>	<u>269.6</u>	<u>545.0</u>
Closing Balance	<u><u>6,134.0</u></u>	<u><u>9,125.8</u></u>	<u><u>10,833.1</u></u>
<u>Enhanced HPLS</u>			
Opening Balance	2,912.5	2,680.7	2,680.7
Loans granted	<u>-</u>	<u>-</u>	<u>-</u>
	2,912.5	2,680.7	2,680.7
Loan repayments	<u>231.8</u>	<u>161.7</u>	<u>155.4</u>
Closing Balance	<u><u>2,680.7</u></u>	<u><u>2,519.0</u></u>	<u><u>2,525.3</u></u>
<u>Total</u>			
Opening Balance	5,450.2	8,814.7	8,814.7
Loans granted	<u>3,847.1</u>	<u>3,261.4</u>	<u>5,244.1</u>
	9,297.3	12,076.1	14,058.8
Loan repayments	<u>482.6</u>	<u>431.3</u>	<u>700.4</u>
Closing Balance	<u><u>8,814.7</u></u>	<u><u>11,644.8</u></u>	<u><u>13,358.4</u></u>



## **Loss Arising from the Delay in Completion of Tin Chung Court Phase 1**

25. Following the discovery of uneven ground settlement in Block L Tin Chung Court Phase 1 and assuming that all the purchasers of the six blocks in Tin Chung Court Phase 1 ( namely Block F, G, H, J, K & L ) opt to rescind, deposits amounting to about \$128 million have to be refunded together with the interest payment up to about \$12.0 million. There will also be a deferment of cash-in flow of about \$1,556.1 million in respect of the sale of these blocks for about 15 months together with interest foregone thereon amounting to about \$155.6 million. The relevant financial implications have already been reflected in the 1999/2000 Revised Budget.

## **INFORMATION**

26. This paper is issued for Members' information. If Members so wish, it can be discussed at the next meeting of the Home Ownership Committee on 26 November 1999.

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